

Message Text

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ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 IGA-02 OMB-01 SAM-01 EB-11

COME-00 TRSE-00 CIEP-02 FEA-02 INT-08 STR-08 CEA-02

IO-14 DRC-01 /194 W

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P R 261255Z MAR 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 6521

INFO AMEMBASSY ABU DHABI

AMEMBASSY BRUSSELS

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

C O N F I D E N T I A L JIDDA 1522

E.O. 11652: GDS

TAGS: ENRG, EAID, EFIN, IR

SUBJECT: NEED FOR SAUDI-IRANIAN COOPERATION REGARDING
ASSISTANCE TO LDC'S

REF: (A) TEHRAN 2236; (B) TEHRAN 1450; (C) KUALA LUMPUR 1290

SUMMARY: US ENDORSEMENT OF OR PARTICIPATION IN SHAH'S
PLAN TO ASSIST LDC'S COULD COMPLICATE US PLANS FOR ECONOMIC/
FINANCIAL COOPERATION WITH SAG IF SAUDIS AND OTHER ARABS
TAKE STRONG EXCEPTION TO SHAH'S PLANS. EMBASSY BELIEVES
SAUDI SUPPORT OF SHAH'S PLAN TO BE DESIRABLE, EVEN ESSEN-
TIAL. MINIMUM WE SHOULD AIM FOR WOULD BE SAUDI NON-
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OBJECTION. RECOMMEND GOI ATTEMPT TO INVOLVE SAG VIA

MINISTERIAL DISCUSSIONS. THESE MIGHT NO RESULT IN FULL SAUDI PARTICIPATION BUT WE COULD AT LEAST THEN REACH A DECISION BASED ON MERITS OF SHAH'S CASE. END SUMMARY

1. WITH REGARD TO IRANIAN DESIRE FOR AMERICAN SUPPORT FOR AND PARTICIPATION IN SHAH'S PROPOSAL TO ASSIST LDC'S (REFTELS A AND B), BELIEVE WE SHOULD CONSIDER SAUDI ATTITUDE TOWARD SCHEME. WE WOULD NOT WISH TO BE CAUGHT IN CROSS-FIRE BETWEEN TWO OF OUR BEST FRIENDS IN AREA IF PLAN IS ACTIVELY OPPOSED BY SAG (OR OTHER STATES IN GULF). IN SUCH AN EVENT, A US-GOI ALIGNMENT MIGHT NOT HELP OUR OWN EFFORTS TO OBTAIN SAUDI COOPERATION ON A VARIETY OF US ECONOMIC AND FINANCIWW MATTERS.

2. WE BELIEVE IRANIANS ARE CORRECT IN CONSIDERING SAUDI SUPPORT FOR THEIR PROPOSALS TO BE IMPORTANT. A PROPOSAL FROM EITHER IRAN OR SAUDI ARABIA TO ASSIST LESS DEVELOPED OIL CONSUMERS AND WHICH DID NOT INCLUDE THE OTHER, WOULD CONSPICUOUSLY OMIT AN IMPORTANT PARTY TO ISSUE. GIVEN AMBIVALENT VIEWS PERSIAN AND ARABS HAVE OF EACH OTHER, SUCH A LACK OF COORDINATION COULD STIMULATE FEELINGS OF GRIEVANCE AND MISTRUST. THE SAUDIS HAVE NOT REACTED PUBLICLY TO THE IRANIAN PLAN. IN PRIVATE CONVERSATION WITH US THEY HAVE BEEN NEGATIVE AT BEST AND HOSTILE AT WORST. THEY SAY THEY RESENT HAVING THE SHAH TELL THEM HOW TO DISPOSE OF THEIR MONEY. WHAT HURTS MOST, IT SEEMS TO US, IS THAT THE PLAN WAS ANNOUNCED WITHOUT ANY CONSULTATION WITH THEM.

3. EMBASSY RECOGNIZES THAT SAUDIS HAVE RESPONDED WITH PASSIVITY AND PHLEGM TO PREVIOUS IRANIAN OVERTURES. THIS DISPOSITION IS ROOTED IN SAUDI CHARACTER AND WILL NOT SOON CHANGE. NONETHELESS THINK IT WOULD BE USEFUL IF AT MINISTERIAL LEVEL GOI FINANCIAL AND DEVELOPMENT EXPERTS WERE TO EXCHANGE IDEAS WITH SAUDI COUNTERPARTS RE SHAH'S ASSISTANCE PROPOSALS, SAUDI SENSITIVITY WOULD BE SOOTHED, AND EVEN IF SAUDIS DID NOT IN THE END PARTICIPATE IN SHAH'S PLAN, IT WOULD NOT BE IN ANY SPIRIT OF RESENTMENT OR OUT OF FEELING THEY HAD BEEN EXCLUDED.

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4. ONCE SUCH IRANIAN-SAUDI COORDINATION BEGUN, LIKELIHOOD THAT IT COULD DISRUPT EITHER US-SAG OR SAG-GOI RELATIONS WOULD DIMINISH; OUR SUPPORT OF SHAH'S PLAN COULD THEN BE DECIDED ON WHAT WE BELIEVED WERE MERITS OF CASE.

5. SUCH COORDINATION SHOULD BEGIN SOON, BEFORE TWO COUNTRIES HAVE GONE TOO FAR THEIR SEPARATE WAYS: IT IS TRUE THAT SAUDI ARABIA DOES NOT ITSELF HAVE A POLICY FOR SOLVING

PROBLEM OF LDC'S ENERGY IMPORTS, BUT IT IS SUPPORTING NEW
AFRICAN AID FUND AS A FIRST TENTATIVE MULTILATERAL STEP.
SAG ALSO (A) SUPPORTING ISLAMIC DEVELOPMENT BANK (IDB)
WHICH MIGHT PROVIDE POORER ISLAMIC COUNTRIES WITH INDIRECT
HELP ON THEIR FUEL BILLS VIA LOANS; AND (B) GRANTING YARG
A PORTION OF ITS OIL FREE OF COST, THEREBY MAINTAINING
FICTION OF POSTED PRICES (THIS IS NOT YET PUBLIC
KNOWLEDGE).
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